



Compliance Matters



TIN/EIN

FEDERAL TAX IDENTIFICATION NUMBER (TIN) / EMPLOYER IDENTIFICATION NUMBER (EIN)

- TIN & EIN terms are interchangeable
- A unique 9-digit identification number
- Entities should have TIN/EIN whether or not incorporated to operate as a separate entity
- Should be used on all tax returns and correspondence, and should be retained permanently
- Obtain TIN/EIN by submitting IRS Form SS-4



Non Profit Organization Classification: 501(c)(19)

To be recognized under Internal Revenue Code section 501(c)(19), an organization must be either:

- A post or organization of past or present members of the United States Armed Forces**
- An auxiliary unit or society of such post or organization**
- Or a trust or foundation for such post or organization**



Seek Recognition For: Tax Exempt Status

**Tax exempt status comes from the federal government.
It means for 501(c)(19)'s:**

1. Exempt from Federal Taxation (*not including any unrelated business income you may have*)
2. People who donate money to the organization can take tax deductions for their donations

**Having a Nonprofit classification does not
automatically grant Federal Tax Exemption.**



Tax Deductible Contributions

- **IF the entity seeks tax exempt status by being included in the ALA National Group Ruling, they will automatically be able to receive tax deductible contributions**
 - *This is outlined in our IRS Determination Letter for the Group Ruling*
- **IF the entity seeks exempt status through their own recognition via IRS Form 1024, they will want to pay close attention to how they describe their mission & purpose in Part 2 of Form 1024**



Requirements to Include TIN/EIN Under the National GEN

- Must be a chartered **entity** of the American Legion Auxiliary
- Cannot be revoked
- Signed inclusion letter
- Verification of TIN/EIN that lists the legal name, responsible party and TIN/EIN
- Cannot have multiple TIN/EIN's



The Pension Protection Act of 2006

- Driving force to make small nonprofit organizations accountable
- Instated annual reporting requirements
- Failure to file for 3 consecutive years equals automatic **REVOCAATION**



Federal Reporting

- **Must file an annual information return or notice with the IRS**
 - Obligated to meet its filing requirement to keep its federal tax-exempt status
- **An organization, whose annual gross receipts are normally \$50,000 or less, may file Form 990-N (e-Postcard)**
- **Form 990-N filing due date:** Form 990-N is due every year by the 15th day of the 5th month after the close of your tax year. **You cannot file the 990-N until after your tax year ends**



Consequences of Failure to File

- Tax exempt status revoked - technically operating as a for-profit organization until reinstatement
- Donations made at this time are **NOT** tax deductible to the donor
- May lose your state exemption as well (i.e. sales tax, bingo licensing, etc.)
- Entities can choose to remain a taxable entity, **BUT** they must file the appropriate tax form



Tax-exempt status revocation/reinstatement

- **Responsibility of the entity (not the ALA National Organization) to handle their tax-exempt status revocation**
- **Recommend conferring with legal and/or tax professionals concerning revocation particulars**
- **Current reinstatement fee is \$400**



State Requirements

- **Entities may also be subject to certain state and local taxes, included but not limited to:**
 - Sales Tax (Hotel, Hospitality, Service, Utilities, Bulk Pricing, etc.)
 - Gaming
- **Be sure to consult with a tax adviser knowledgeable about your state's not-for-profit tax requirements.**
- **Federal Tax Exemption does not automatically grant exemption from state & local taxation, BUT may be a requirement when applying for state and/or local exemptions.**



State Charity Recognition

- **Most states regulate charitable organizations**
 - Organizations that solicit donations, conduct fundraising activities, and meets their reporting threshold
- **Although specifics vary, state statutes usually require organizations to register with the state before they solicit or conduct fundraising activities asking the state's residents for contributions**
- **If you are receiving tax deductible donations and/or conducting fundraising you will want to check your states charitable solicitation statutes**



Incorporation

- **What Is Incorporation?**
 - The process of separating the legal entity from its owners with its own rights and obligations
- **Incorporation is *Recommended* – *Not Required***
- **Advantages:**
 - Protects members from lawsuits against the corporation or a particular member of that corporation. In most cases, innocent members cannot be personally sued to cover debts and damages
 - Increased confidence in the capability of the organization to achieve their mission, making the public, government agencies and foundations more likely to donate



Unincorporated

- May not have the protective benefits of limited liability
- If one member incurs a debt or causes damages in her capacity as a unit member, every member of the unit could be held personally responsible - even members of the unit who had nothing to do with the action.
- Strongly recommend you research your state laws/statutes and/or seek professional advice as to proper formation of an association as additional protections may apply



Record Retention

Record retention refers to a written policy that specifies which records are kept and for how long

- **Which Records?**

- Financial statements, bank statements, meeting minutes, drafts of constitution and bylaws, form SS-4, Determination Letter, etc.

- **How Long?**

- Permanent Records
 - Examples: Charter, SS-4, Determination Letter, C&B
- Non-Permanent Records
 - Examples: Accounts Receivable, Accounts Payable



Responsibility - Pass it On

- Elected officers have a fiduciary responsibility
- Ensure that all permanent records are passed on to the next responsible party
- Have a succession plan!
- Account Information
- Log In Information, Passwords



Resources

- **IRS Exempt Organization Division**
 - (877) 829-5500
- **IRS Select Check:** <http://apps.irs.gov/app/eos/>
- **IRS Business Master File:** <https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf>
- **IRS.gov**
- **Guidestar.org**
- **ALA Compliance Team**
 - compliance@ALAforVeterans.org



Tools

- **IRS Form 8822-B “Change of Address or Responsible Party – Business”**
 - If an organization has had a change of address and/or a change to the organization’s responsible party.
- **<https://www.irs.gov/Charities-&-Non-Profits/IRS-Form-990-N-e-Postcard-User-Guide>**
 - IRS created user guide for how to set up a user profile, file form 990-N, manage 990-N submissions and technical support
- **Department Operations Guide**
- **ALA Important Compliance Information**



Impact Numbers

- **Mission & Purpose**
- **Social Return on Investment - SROI**
- **Reporting**
- **ALA Updates**
 - Reporting forms for all levels of the organization are available on the National Website



Questions?